It is clear from BOC deployment of ONA that density and urban location are not the only considerations. Twenty percent of the original RBHC CEI trials were scheduled for implementation in cities smaller than Honolulu, which ranks 51st among MSA's in the United States. Table 14 shows a list of cities where CEI trials were undertaken early by the BOCs. Furthermore, U.S. West announced plans more than a year ago to deploy 5 BSE's in all but two of the states they serve and this included New Mexico where the average line density of U.S. West is 9.6 lines per square mile.

D. Potential Level of Monopoly Abuse

As noted earlier, the potential for monopoly abuse is not determined by the company's size. However, the Seventh Circuit, while noting this fact, did make allowance for GTE because they served fewer subscribers than the BOC's and found therefore, that fewer subscribers would be hurt. This is no longer the case with GTE as is clear from Table 15. GTE serves the fifth highest

TABLE 15

PERCENTAGE OF SUBSCRIBER LINES/GEOGRPAHIC AREA SERVED: BY HOLDING COMPANY

Holding Company	Percent of Total Lines Served	Percent of Total Geographic Area Served
1. Bell South	13.5%	7.4%
2. Bell Atlantic	13.2	2.3
3. Ameritech	12.8	2.3
4. Nynex	12.1	2.4
5. GTE	11.9	15.1
6. Pacific Telesis	11.3	1.8
7. U.S. West	9.8	16.0
8. Southwestern Bell	9.1	5.9

percentage of telephone lines of any holding company in the United States and is second only to U.S. West in the percentage of geographic area served.

E. Switch Size

The average switch size does not appear to affect profitability. Further, since many of the GTE Operating Companies have installed Automatic Electric (now ACGS) equipment, the smaller switch size of GTE central offices may be a function of the manufacturer. GTE's Automatic Electric largest switches are smaller in size than either AT&T or Northern Telecom equipment, *e.g.*, the GTD5 carries a maximum of 50,000 lines as opposed to the DMS100's 100,000 lines.

F. Standing

Finally, GTE's argument that it is curious that our Governor and our Department of Commerce and Consumer Affairs filed these comments, rather than the Hawaii Public Utilities Commission, By statute, the Director of the Department of Commerce and Consumer Affairs "shall represent, protect and advance the interest of consumers of utility services." 269-51 *Haw. Rev. Stat.* Among the Director's duties is "to represent the interest of consumers of utility services before any state or *federal agency* or instrumentality having jurisdiction over matters which affect those interests." 269-54(b)(7) *Haw. Rev. Stat.*[3]

3/ The only thing curious is that this is the first time in the 15 plus years of FCC filings done by the Governor and the Director of the Department of Commerce that GTE has ever questioned this. During the same period, it has been the consistent practice of the Hawaii PUC to not appear in FCC proceedings. The statutory scheme and these practices are well known to GTE.

IV. SUMMARY AND CONCLUSION

This analysis covers company size, line density, profitability, intensity of line usage and the relative level of business to residential lines. It does not address, directly, the question of the demand for competitive safeguards. It is clearly the policy of our State and our Governor to promote information service businesses in Hawaii. The analysis shows that there are no real dangers to GTE Hawaiian from the imposition of such safeguards. Neither, at a national level, would such safeguards be detrimental to GTE. If safeguards are imposed at the State level only, the burden of tracking costs will fall solely to State regulators. Since the actual operational level of GTE is not at the State level, this will be very difficult. The appropriate level is the national level. The analysis fails to uncover any valid argument for distinguishing GTE from the RBHC's. The danger of imposing these safeguards on GTE Hawaiian alone is that costs can be shifted from GTE centralized operations to GTE Hawaiian on the basis of ONA.

Nevertheless, GTE Hawaiian would, as a company, suffer little financial harm from the imposition of safeguards. While the state should always be concerned about imposing undo costs on GTE Hawaiian, it is sound State policy to promote the development of an information sector in our economy, even if it imposes some additional costs on the system. In particular, the imposition of ONA will guarantee information service businesses a level playing field if they locate in our State. They do not presently enjoy that guarantee. Since GTE Hawaiian can offer information services themselves, this "building block" is necessary to the ability of Hawaii to pursue development of information services.

APPENDIX A: GTE'S CURRENT OPERATING STRUCTURE

GTE WEST

	No. of Lines Served	Sq.Miles Served	Lines Per Sq. Mile
Montana	7,020	2,754	2.5
Idaho	93,873	12,178	7.7
Nevada	19,987	1,591	12.6
Utah	14,124	11,775	1.2
Oregon	303,924	5,318	57.2
Washington	575,964	11,427	50.4
Hawaii	564,262	6,357	88.8
California	3,646,007	30,436	119.8
Alaska			
Arizona	29,276	10,337	2.8
Sub-total	5,254,437	92,173	57.0

Note: With Contel California included -- 12 to 18 months from now pending approval of CPUC.

GTE CENTRAL

	No. of Lines Served	Sq.Miles Served	Lines Per Sq. Mile
South Dakota	7,718	1,490	5.2
North Dakota	9,872	2,593	3.8
New Mexico	65,005	12,496	5.2
Arkansas	160,233	12,448	12.9
Oklahoma	104,082	7,071	14.7
Iowa	242,743	20,287	12.0
Minnesota	98,711	11,490	8.6
Texas	1,288,467	70,612	18.2
Missouri	309,751	22,937	13.5
Sub-total	2,315,858	171,761	13.5

GTE NORTH

	No. of Lines Served	Sq.Miles Served	Lines Per Sq. Mile
Kansas	2,717	820	3.3
Maine	42,167	3,750	11.2
Vermont	33,841	1,701	19.9
Wisconsin	369,762	18,990	19.5
New Hampshire	9,844	196	50.2
Indiana	711,182	12,945	54.9
Michigan	526,509	14,860	35.4
Illinois	701,699	28,987	24.2
Ohio	648,533	15,122	42.9
Pennsylvania	513,838	6,729	76.4
New York	241,357	10,296	23.4
Sub-total	3,801,449	114,396	33.2

GTE SOUTH

	No. of Lines Served	Sq.Miles Served	Lines Per Sq. Mile
West Virginia	93,654	4,580	20.4
Alabama	208,442	12,396	16.8
Kentucky	398,597	12,589	31.7
South Carolina	151,271	2,295	65.9
Georgia	262,114	16,190	21.7
Tennessee	52,139	1,260	41.4
North Carolina	248,639	4,940	50.3
Virginia	380,841	10,333	36.9
Florida	1,759,816	5,880	299.3
Sub-total	3,645,513	70,463	51.7

APPENDIX B: WORKPAPERS FOR TABLE 11

GTE (OLD)

Operating Company	Total Operating Revenue (000's)	Net Operating Revenue (000's)	Net Income (000's)
GTE California	$2,715,534	$ 841,655	$ 421,322
GTE Florida	1,143,998	309,532	132,491
GTE Hawaiian	480,251	101,570	48,316
GTE North	2,348,708	605,489	281,720
GTE Northwest	735,144	216,170	106,680
GTE South	920,078	212,168	95,061
GTE Southwest	1,205,993	295,952	134,081
TOTAL	$9,549,706	$2,582,536	$1,219,671

GTE (NEW)

Operating Company	Total Operating Revenue (000's)	Net Operating Revenue (000's)	Net Income (000's)
GTE California	$2,715,534	$ 841,655	$ 421,322
GTE Florida	1,143,998	309,532	132,491
GTE Hawaiian	480,251	101,570	48,316
GTE North	2,348,708	605,489	281,720
GTE Northwest	735,144	216,170	106,680
GTE South	920,078	212,168	95,061
GTE Southwest	1,205,993	295,952	134,081
Contel California	367,570	147,207	73,287
Contel Illinois	125,875	29,625	16,090
Contel Missouri	164,357	45,144	22,568
Contel New York	175,722	53,619	22,075
Contel Texas	180,139	67,681	31,342
Contel Virginia	277,537	76,522	38,140
TOTAL	$10,840,906	$3,002,364	$1,423,173

AMERITECH

Operating Company	Total Operating Revenue (000's)	Net Operating Revenue (000's)	Net Income (000's)
Illinois Bell	$2,827,685	$ 743,415	$ 344,131
Indiana Bell	1,017,868	301,465	155,415
Michigan Bell	2,542,891	730,635	317,623
Ohio Bell	1,991,386	631,570	251,205
Wisconsin Bell	973,510	271,982	117,092
TOTAL	$ 9,353,340	$2,679,067	$1,185,466

BELL ATLANTIC

Operating Company	Total Operating Revenue (000's)	Net Operating Revenue (000's)	Net Income (000's)
Chesapeake & Potomac	$ 504,993	$ 117,319	$ 45,050
C & P Maryland	1,625,972	423,978	176,782
C & P Virginia	1,564,818	400,953	203,890
C & P W. Virginia	515,535	134,932	55,223
Diamond State	215,027	64,560	32,477
Bell Pennsylvania	2,820,573	656,256	315,457
New Jersey Bell	2,962,493	843,827	376,732
TOTAL	$10,209,411	$2,641,625	$1,205,611

BELL SOUTH

Operating Company	Total Operating Revenue (000's)	Net Operating Revenue (000's)	Net Income (000's)
South Central Bell	$ 4,993,651	$1,479,276	$ 655,429
Southern Bell	7,002,221	1,913,712	962,487
TOTAL	$11,995,874	$3,392,988	$1,617,916

PACIFIC TELESIS

Operating Company	Total Operating Revenue (000's)	Net Operating Revenue (000's)	Net Income (000's)
Nevada Bell	$ 168,861	$ 38,992	$ 20,554
Pacific Bell	7,829,817	2,025,919	1,235,820
TOTAL	$ 7,998,678	$2,064,911	$1,256,374

NYNEX

Operating Company	Total Operating Revenue (000's)	Net Operating Revenue (000's)	Net Income (000's)
New England Tel	$ 3,694,091	$ 860,846	$ 369,526
New York Tel	7,392,569	1,821,670	577,890
TOTAL	$11,086,660	2,682,516	$ 947,416

SOUTHWESTERN BELL

Operating Company	Total Operating Revenue (000's)	Net Operating Revenue (000's)	Net Income (000's)
TOTAL	$7,408,690	$2,088,815	$ 993,724

U.S. WEST

Operating Company	Total Operating Revenue (000's)	Net Operating Revenue (000's)	Net Income (000's)
Mountain States	$ 3,705,289	$ 908,478	$ 417,765
Northwestern Bell	2,378,693	573,196	249,527
Pacific NW Bell	2,044,866	548,890	256,188
TOTAL	$ 8,128,848	$2,030,564	$ 923,480

STATE OF HAWAII COMMENTS

APPENDIX C

(CC Docket No. 92-256)

EX PARTE PRESENTATION

STATE OF HAWAII POSITION AND RESPONSE TO GTE'S EX PARTE

Computer III Remand Proceeding

(CC Docket No. 90-623)

Charles W. Totto
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Division of Consumer Advocacy
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November 8, 1991

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* This office has acted on behalf of the Governor of the State of Hawaii on all interstate telecommunications matters for more than two decades.

STATE OF HAWAII POSITION AND RESPONSE TO GTE'S EX PARTE
(CC Docket No. 90-623)

I. THE STATE OF HAWAII HAS DEMAND FOR, AND IS ENTITLED TO, OPEN NETWORK ARCHITECTURE ("ONA") AND OTHER COMPETITIVE SAFEGUARDS.

A. Hawaii has a service-oriented and communications-dependent economy. The State will benefit from a competitive environment for information services.

B. Denying Hawaii the benefit of ONA and other competitive safeguards will have a chilling effect on the development of information service in the State.

1. The State of Hawaii continues to dedicate millions of dollars to attract providers and develop information service industries in Hawaii.

C. GTE Corporation's ("GTE") promise of voluntary compliance with the "spirit" of ONA and nondiscrimination safeguards is insufficient to ensure that Hawaii will benefit from these policies. Anything short of a regulatory prescription is unacceptable and puts the State and users at risk.

1. GTE Hawaiian Telephone Co., Inc. ("GTE Hawaiian") -- as a local exchange carrier -- enjoys substantial anticompetitive advantages over its information service competitors in Hawaii.

2. For example, an answering service information service provider in Hawaii has been unable to purchase certain unbundled functionalities, and is unable to competitively price its services.

D. Historically, the State of Hawaii has experienced discriminatory treatment in the provision of telecommunications services and rates for those services.

1. Current Federal Communication Commission ("FCC" or "Commission") proposals, once again, wrongly reflect that it is less important for Hawaii than for other states to receive the benefits of new telecommunications policies.

II. GTE'S RESPONSE TO HAWAII'S CONCERNS MISSES THE POINT.

A. GTE's ex parte is selective in its response to the State of Hawaii's concerns. GTE's response inadequately addresses a number of Hawaii's concerns, but it is most noteworthy for what it fails to address (see generally Attachment A).

B. GTE ignores all data that are specific to the State of Hawaii, where GTE operates the only local exchange company serving the entire State and provides local exchange, intrastate toll, and interexchange (including IMTS and foreign access) services.

C. GTE's _ex parte_ wrongly focuses on the "rural" characteristics of its operations. In doing so, GTE ignores the relevance of its own urban operations and the rural operations of other carriers.

   1. Although the data tend to show that GTE has more rural characteristics than most RBHCs, the data show that GTE is _less_ "rural" than US West.

   2. The Commission's proposals would prescribe ONA and other competitive safeguards for areas that resemble US West's, but would fail to prescribe the same rules for large urban complexes in GTE service areas (most notably the areas of Tampa/St. Petersburg, Southern California, and Honolulu) or for smaller areas like those in US West's territory and elsewhere.

D. GTE ignores the comparative size and cumulative impact of its recently reorganized and centralized RBHC-like operations.

   1. Given its resources, its line density, and its substantial urban presence, GTE is at least as capable as US West of instituting ONA and other competitive safeguards.

E. Of all the perspectives from which one can compare GTE and Regional Bell Holding Company ("RBHC") data (_e.g._, by state, MSA, regional division, or operating company), the _least_ relevant for purposes of this proceeding is GTE's reliance on a sample of states that are mutually served by GTE Operating Companies ("GTOCs") and Bell Operating Companies ("BOCs").

F. Proper evaluation of GTE's suitability for mandatory competitive safeguards cannot solely entail a comparison of a limited number of states, but rather should include:

   1. a comparison of GTE and the RBHCs;

   2. a comparison of GTOCs and the BOCs; and

   3. a comparison of similar operating levels, such as GTE's four regional operating divisions.

III. NEITHER THE RECORD IN THIS PROCEEDING NOR THE HISTORICAL RECORD SUPPORT DIFFERENT TREATMENT FOR GTE.

A. The courts have historically questioned the FCC's analysis in distinguishing GTE and its operating companies from the Bell Companies.**

B. Since acquiring CONTEL, GTE is larger than any RBHC by most meaningful measures.

C. Pursuant to corporate reorganization and to centralization of GTOC functions, GTE operations and the operations of its regional divisions even more closely mirror RBHC operations.

IV. BY VIRTUE OF GTE'S SIZE AND MARKET POSTURE, THE COMMISSION HAS TREATED GTE LIKE A RBHC IN A NUMBER OF REGULATORY CIRCUMSTANCES, SUCH AS:

A. The Tier 1/Tier 2 local exchange carrier distinction;

B. The mandatory adherence to price cap regulation; and

C. The mandatory adherence to Computer III accounting rule safeguards.

V. THE CONSISTENTLY LOGICAL NEXT STEP FOR THE COMMISSION IS TO SUBJECT GTOC'S TO THE SAME REGULATORY SCHEME ADOPTED FOR ALL OTHER LARGE LOCAL EXCHANGE COMPANIES.

A. The Commission should subject all GTOCs -- or, in the alternative, GTE Hawaiian -- to all competitive safeguards that are applied to the BOCs.

1. GTE Hawaiian remains the sole exchange carrier in the entire State of Hawaii, and is also considered dominant in the provision of international services.

B. The Commission cannot abandon jurisdiction of interstate telecommunications services, particularly for Hawaii, which has a high proportion of interstate and international traffic.

C. The Commission has the opportunity now to adopt policies that promote competition and the nondiscriminatory introduction and provision of new technologies in _all_ of the States. It is not proper to exclude Hawaii.

** _See_, _e.g._, _California v. FCC_, 905 F.2d 1217, 1225 n.10, 1236 & n.24, 1237 (9th Cir. 1990). _See also_ _Illinois Bell Tel. Co. v. FCC_, 740 F.2d 465, 476 (7th Cir. 1984).

ATTACHMENT A

DATA REGARDING STATE OF HAWAII, GTE, AND BELL COMPANIES: GTE'S LIMITED RESPONSE

Set forth in this attachment are the *ex parte* data presented by the State of Hawaii. Notations in the left margins indicate points that GTE failed to address in its *ex parte* response (marked "NR" for "No Response"). Those matters that GTE did address are done so with either irrelevant or inadequate information.

I. THE STATE OF HAWAII NEEDS AND DESERVES ONA AND OTHER COMPETITIVE SAFEGUARDS.

o Hawaii is the only state in the nation serviced by a single telephone company that will not have Computer III competitive safeguards, unlike the states of Delaware, Maryland, Massachusetts, and Rhode Island, as well as the District of Columbia.

(NR) o Hawaii is the only state in the nation solely served by an independent telephone company.

(NR) o Hawaii has the 15th highest telephone density per-square mile in the nation; 36 states -- all served by BOCs -- have lower densities of telephone lines per square mile.

(NR) o Ranked by state, but considering only the BOCs' line density in each of the states served by the BOC, 29 states fall below the line density of Hawaii.

(NR) o Thirty-two percent of the BOCs have line densities lower than GTE Hawaiian.

(NR) o In 13 states, the largest MSA is smaller than the Honolulu MSA; ONA and other competitive safeguards will be required in each of these states.

(NR) o Honolulu is the 51st largest MSA in the nation.

(NR) o Hawaii has the 13th highest percentage of business lines-to-total subscriber lines of all fifty states.

(NR) o GTE Hawaiian has a larger number of lines than two BOCs (Diamond State and Nevada Bell) that will be required to provide ONA.

(NR) o GTE Hawaiian has the highest average number of calls per line per year of all U.S. telephone operating companies.

(NR) o GTE Hawaiian has the eighth largest net income per line, when compared with all of the BOCs.

II. <u>WHEN COMPARED TO US WEST, IN PARTICULAR, THERE ARE COMPELLING REASONS TO REQUIRE GTE TO PROVIDE ONA AND OTHER COMPETITIVE SAFEGUARDS.</u>

o GTE has 33.7 lines per square mile of service area; US West has only 25.9 lines per square mile of service area.

o GTE serves 11.9% of all U.S. lines; US West provides service to only 9.8% of all U.S. lines.

(NR) o GTE serves 15.1% of the nation's geographic area, while US West serves 16.0% of the geographic area of the United States.

o GTE's service area contains 12 of 1990's "Top 25" MSAs; US West's service area contains only 3 of the Top 25 MSAs.

(NR) o Net operating revenues of GTE is $3.0 billion, which substantially exceed US West's $2.0 billion.

o GTE serves 139 LATAs in 40 states; US West serves 27 LATAs in 14 states.

(NR) o Nine states within GTE's service area have higher-than-national average concentration of business lines; US West's service area includes only two such states.

III. BY ALL RELEVANT CRITERIA, GTE AND ITS FOUR OPERATING DIVISIONS ARE COMPARABLE IN SIZE AND MARKET POSTURE TO THE RBHCs.

o GTE serves 40 states, while the RBHCs combined serve 48, with no single RBHC serving more than 14 states (US West).

o GTE alone serves 139 LATAs, while the RBHCs combined serve 168 LATAs.

o GTE serves 12 of the Top 25 MSAs, while any one RBHC serves no more than 5 (Bell Atlantic and Pacific Telesis).

(NR) o GTE's net operating revenues ($3.0 billion) are exceeded only by Bell South's ($3.39 billion).

o GTE lines (11.9% of U.S. lines) approach that of four RBHCs (none of which operate more than 13.5%), and exceed that of Pacific Telesis (11.3%), US West (9.8%), and Southwestern Bell (9.1%).

(NR) o GTE has a higher net income per line ($94.77) than all RBHCs except Bell South ($95.14).

(NR) o GTE West, with 5.2 million lines and 92,173 square miles of service area has a line density of 57.0 lines per square mile, which is greater than five of the BOCs.

* * *

The data provided in this attachment are supported by a report entitled "Comparison of GTE, GTE Hawaiian, RBHCs and BOCs," which was prepared for the State of Hawaii and was submitted to the Secretary's office as an ex parte communication on October 2, 1991 (CC Docket No. 90-623).